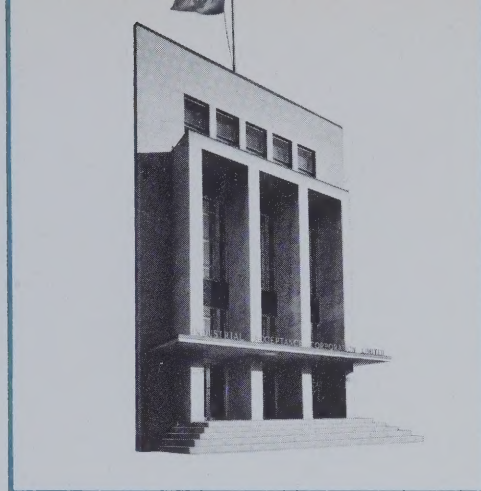


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INDUSTRIAL ACCEPTANCE CORPORATION LIMITED



FORTIETH

ANNUAL REPORT

1964

DIRECTORS

STEWART G. BENNETT

FRANK M. COVERT, Q.C.

THEODORE J. EMMERT

*HON. GEORGE B. FOSTER, Q.C.

*PETER KILBURN

LOUIS A. LAPOINTE, Q.C.

ARTHUR J. MORRIS

*JOHN L. O'BRIEN, Q.C.

*JOHN B. PENNEFATHER

Vice-Chairman of the Executive Committee

*JOSEPH H. RANAHAN

Chairman of the Executive Committee

RT. HON. LOUIS S. ST. LAURENT, Q.C., LL.D., P.C.

AUSTIN C. TAYLOR

*JOHN M. WELLS

*GRANT E. WEMP

DENNIS K. YORATH

**Member of the Executive Committee of the Board.*

OFFICERS

Chairman of the Board

G. E. WEMP*

Vice-Chairman of the Board

J. H. RANAHAN*

President

J. B. PENNEFATHER*

Executive Vice-President

L. E. NICHOL*

Vice-Presidents

R. E. CAMPBELL

K. J. DOIG, F.C.I.S.*

J. C. EMO*

J. S. LAND

K. H. MacDONALD

D. W. MALONEY

C. W. NEILD*

F. P. PARADIS

Assistant Vice-Presidents

P. J. BROWN

J. Y. BUCHANAN*

I. B. COLEMAN

H. S. HAWKINS*

S. F. MELLO

P. A. NADEAU

C. N. SHANLY

B. J. STAFFORD*

W. P. STEVENS*

R. D. STEWART, C.A.

J. L. WARREN

Secretary

E. W. McCracken

Treasurer

C. A. McCRAE, C.A.

**Member of the IAC Quarter Century Club.*

INDUSTRIAL ACCEPTANCE CORPORATION LIMITED

FORTIETH ANNUAL REPORT 1964

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ANNUAL MEETING 11.30 A.M., APRIL 28, 1965 • QUEEN ELIZABETH HOTEL, MONTREAL, QUEBEC

*Si vous désirez recevoir un exemplaire en français
du Rapport annuel de l'IAC, veuillez vous adresser au Secrétaire,
Industrial Acceptance Corporation Limited, 1320 boul. Graham, Montréal 16, Qué.*

OPERATING AND STATISTICAL HIGHLIGHTS

1964

1963

COMMON STOCK FACTS

Earnings available for common shares	\$ 11,290,457	\$ 10,851,188
Per share outstanding at year end.	\$1.91	\$1.84
Dividends paid to holders of common shares	\$ 6,493,274	\$ 6,041,953
Per share	\$1.10	\$1.025
Ratio to available earnings.	57.5%	55.7%
Number of shareholders	13,486	11,144
Number of shares outstanding	5,911,152	5,897,375
Owned by Canadians	89.1%	83.5%
Book value per share	\$15.88	\$15.06

EARNINGS RATIOS

Interest on secured term notes and debentures times earned	2.25	2.39
Interest on debentures times earned*	5.26	5.18
Preferred dividends times earned	30.60	19.70

TAXES

Income, property, etc.	\$ 12,190,458	\$ 12,373,077
Per common share outstanding at year end	\$2.06	\$2.10

VOLUME OF BUSINESS

Sales financing—retail	\$402,094,245	\$368,319,607
—wholesale	\$560,862,036	\$486,679,026
Loans and leases	\$223,537,910	\$182,569,997
Net casualty insurance premiums written	\$ 10,106,593	\$ 10,951,047
New life assurance business written—ordinary.	\$ 35,600,000	\$ 29,300,000
—group	\$ 97,200,000	\$190,600,000

PEOPLE EMPLOYED

Merit Insurance Company	346	451
Niagara Finance Company Limited	767	744
The Sovereign Life Assurance Company of Canada.	339	304
IAC and other subsidiaries	2,027	1,967
Total number employed	3,479	3,466

*Prior deduction method has been used to conform to formula
in trust agreements.

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

This is the 40th Annual Report of your Board of Directors. As usual a convenient summary of operating and statistical data is given on the facing page while the complete report follows.

Consolidated Statements of Earnings and of Retained Earnings Pages 8 and 9

Over-all operations of your group of companies in 1964 produced net earnings applicable to the common shares of \$11,290,457. This total was higher than in 1963 by \$439,269 or 4.05% and was equal to \$1.91 on the 5,911,152 shares outstanding on December 31, 1964. Such earnings for 1963 were \$1.84 on the 5,897,375 shares then outstanding.

The principal income and outgo factors which produced these net results are summarized in the two subject statements. It is hoped that the following comments will make the figures more meaningful.

GROSS INCOME, which totalled \$91,886,792 for 1964, was 6.4% higher than in 1963. However, a better appraisal of this comparison can be achieved by referring to Note 2 on page 8 which shows the principal components of these totals. Net income from receivables was higher by 8.6% while the earned premiums of the casualty insurance subsidiary were lower by 14% due to more restrictive underwriting. Investment earnings rose slightly more, proportionately, than the increase in the average amount of such investments on the books during the year.

EXPENDITURE of \$68,746,823 was made up of the following major components:

Cost of borrowed money which totalled \$31,043,200 was higher than the comparable 1963 total by \$4,405,682 or 16.54%. This increase related satisfactorily to an increase of 17.42% in the average amount of borrowed funds employed during the year.

Claims incurred by casualty insurance subsidiary of \$8,456,905 were down from the 1963 figure by \$759,328 or 8.2%. This reduction, together with lower expenses and increased investment earnings partially offset this subsidiary's reduced income. Its loss was lower than in 1963 by \$117,855 or nearly two cents per share.

General and administrative expenses of \$29,246,718 were higher than the 1963 total by 6.75%. This increase compared favourably with the increase of 8.6% in income from receivables, the acquisition and administration of which were the principal sources of these expenses.

PROVISION FOR TAXES ON INCOME was calculated to be \$11,558,761. Because the companies' accounts cannot be combined for tax purposes, there is only an approximate relationship between this amount and the pre-tax profit figure which immediately precedes it in the statement.

EARNINGS FOR THE YEAR OF THE NON-CONSOLIDATED LIFE ASSURANCE SUBSIDIARY were brought in at \$90,694, slightly more than they were in 1963. However, this comparison does not fairly indicate this company's progress during 1964. A better appraisal can be made by referring to its financial statements and other data on pages 21, 22 and 23.

NET EARNINGS FOR THE YEAR available for all dividends were \$11,671,902 and higher than those for 1963 by \$240,514 or 2.1%.

DIVIDENDS paid on the preferred shares of \$381,445 were lower by \$198,755 than in 1963 mostly due to the redemption, on March 30 last, of the 4½% \$50 par value shares.

On the common shares, dividends were paid in the amount of \$6,493,274 at the rate of \$1.10 per share compared to \$1.025 for 1963. The total disbursed in 1964 to the common shareholders was higher by \$451,321 or 7.5% than in 1963. It was the 9th consecutive annual increase in the amount paid per share and the 28th consecutive year in which common dividends were earned and paid.

BALANCE AT END OF YEAR of retained earnings employed in the business stood at \$64,111,087, an increase during 1964 of \$4,753,712 or 8%.

**Consolidated
Balance Sheet
Page 10**

Your company's principal earning assets, its receivables, reached a new high of over \$795 million, reflecting an increase during 1964 of over \$115 million or 17%. Some two thirds of this growth was in "Loans and Leases" which increased by 43%. These receivables resulted from the lending and leasing done by the parent company and its Capital Funds Division for businesses, the personal lending by Niagara Finance Company Limited and the mortgage lending by the two mortgage subsidiaries established in 1963.

While wholesale receivables increased only 1.26%, they have continued at a higher level relative to retail receivables than has been customary, despite continued growth in the retail sector. This higher ratio is a result of the very high level of motor vehicle production in the past two years coupled with some loss of financing of related retail sales to other credit grantors.

Delinquency and default ratios at the balance sheet date were satisfactory in relation to averages established over the past several years. Bad debts written off during the year were higher than in 1963, but were in line with averages experienced during the same years.

The new heading, "Unamortized debt discount and expenses", is adequately discussed in Note 5 on page 9. These amounts do not include any charges derived from debt financing in prior years.

The last item on the asset side is also a new heading and is dealt with in paragraph (b) of Note 1 on page 8. The partners in this venture, James Talcott, Inc. of New York and your company, came to the conclusion that the market for services of the nature heretofore offered by Industrial-Talcott Limited was not of a size to warrant further joint efforts.

The consolidated assets reached a total of over \$876 million, having increased during the year by over \$126 million or 16.8% to establish a new high.

Turning to the liability side, your company's consolidated debt position may be summarized by stating that total debt of all kinds was \$665 million at December 31, 1964 as against \$555 million at the end of 1963, an increase of \$110 million or just under 20%. Of the 1964 total, 48.96% was in short term or demand form versus 50.68% of the 1963 total. Ratios of total debt to equity were 6.57 times at the end of 1964 and 5.53 times at the previous year-end. Your management is of the opinion that this ratio should continue to increase slowly.

Shareholders' equity of \$101,247,281 reflected a net increase during 1964 of \$861,983, being the difference between the amount added to retained earnings from the year's operations and the amount of preferred stock redeemed, both of which have been the subject of earlier comment.

The total of funds employed at the year-end, the sum of debt and equity, was \$766,471,650, an increase during the year of \$110,967,223 or 16.9%.

**General Comments
The Parent Company**

During 1964 a record volume of business was done and 25 new branches were opened bringing the total number to 190. Volume exceeded the one billion dollar mark for the first time and was 13.17% higher than it was in 1963. The principal categories and amounts in each appear in the "highlights" on page 2.

The continued high level of wholesale financing relative to retail tended to depress the ratio of gross income to funds employed. Also, the average yield on retail paper purchased in 1964 declined from the 1963 average but by much less than the 1963 average dropped from that of 1962. Despite these factors, the parent company contribution to consolidated common share earnings was a little higher than it was in 1963. Thus, the difficult process of adjusting to lower rate structures and higher proportions of lower yield receivables has been proceeding reasonably well. A measure of this evolution can be seen in the fact that the parent company earned income ratio to average assets employed (ex investments in shares and dividends) declined from 9.9% in 1962 to 9.4% in 1963 and to 9% in 1964.

**Niagara Finance Company
Limited**

For the first time, separate financial statements for this company form part of this report and appear on pages 18, 19 and 20.

There were 23 new branches opened during the year, bringing the total to 263. The volume of business, which aggregated \$155,462,712, was a new high. Net earnings for the year were \$3,176,624, an increase from 1963 of \$247,303 or 8.4%. Dividends totalling \$3,220,000 were paid to your parent company.

The balance sheet showed that total loans receivable rose by \$13 million or 11.3%. Such receivables represented over 200,000 accounts, with delinquencies, defaults and losses well in line.

Principal liabilities were the debt categories which totalled \$92,216,000 at the end of 1964 versus \$82,000,000 at the previous year-end. Prior to 1964, the company borrowed only from chartered banks and the parent company. During that year, however, arrangements were concluded to market its secured short term notes through investment dealers. Over one hundred million dollars of these notes were placed at favourable rates.

In addition, during 1964 for the first time, long term secured notes were issued in the total amount of \$20 million. Further long term financing is planned, to produce a better balance with the short term debt.

Finally, it will be noted that the parent company re-invested \$1,300,000 of the dividends received from Niagara in its capital stock. Thus, Niagara began 1965 with an equity base of \$25,475,000 on which it will finance near term growth by increasing borrowing leverage. Its debt was well under 4 times equity at the balance sheet date.

Merit Insurance Company

The results of the operations of this company in 1964 have already been summarized. It should also be noted that as continued losses had impaired the minimum asset to liability ratio required by the Department of Insurance, your parent company contributed \$500,000 to the surplus account to restore Merit's position. Its management feels that greater progress was made in correcting the basic problems of the company during the year than is indicated by the figures.

Niagara Mortgage & Loan Company Limited Niagara Realty Limited

These two newer members of your group are making good progress and wrote a combined volume of over \$13 million in mortgage loans during the year. A substantial portion of the receivables on their books at the year-end was developed under arrangements made with The Royal Trust Company for joint handling of mortgages exceeding the latter's normal loan to appraised value ratios. This plan is proving to be a fruitful one and should continue to develop favourably.

Premier Property Limited

Because the business of this member of your group is to own and manage certain land and buildings used by your companies, it is not usually pertinent to mention its operations. However, it is appropriate to report that in 1964 it made another property acquisition in the amount of \$775,000.

This consisted of 39,600 square feet of land and an office building of first class construction located at 1945 Graham Boulevard, only a short distance from your company's Executive Offices in the Town of Mount Royal. The building was constructed in 1957 and will be used to house your company's Data Processing Centre and certain branch offices which were formerly rented from others. This is considered to have been a fortunate acquisition.

The Board of Directors

The Minutes of the meetings of your Board during the year included the following items of particular interest to the shareholders:

In February, the 4½% Cumulative Redeemable Preferred Shares of \$50 par value were called for redemption on March 30, 1964.

The death of Arthur A. Schmon on March 18 was reported with deep regret to the meeting held later that month. He had been a Director since April 1939 and his passing was a great loss to your company.

At the Annual Meeting in April, T. J. Emmert was elected to your Board to fill the vacancy created by the death of Arthur A. Schmon.

A revised management organizational structure for your parent company was approved at the June meeting and most of the resulting appointments can be seen in the list of officers in this report.

In September, management was authorized to acquire 50% of the shares of Planned Investments Corporation, Montreal-based sponsor and manager of Canada Growth Fund, which had over \$12 million invested at December 31, 1964. It is also the exclusive distributor in Canada of Putnam Growth Fund.

At the October meeting, J. M. Wells was elected to the Executive Committee of the Board.

On November 19, the people comprising your group of companies were deeply shocked and saddened by the sudden death of the then Executive Vice-President—Corporate Development, J. H. L. Ross. In reporting this sad event to your Board, the Chairman said in part:

"Throughout more than 34 years of service, Mr. Ross had contributed to the growth of IAC. In later years, by his sound judgement and energetic drive, he had been responsible in no small measure for the success of all of the companies in the group. In his many outside responsibilities and associations, he had been a highly esteemed and effective representative of the company."

In December, your Board approved recommendations to improve the Personnel Security Plan by updating past service provisions of the Pension Plan and by enlarging certain other features. Also, at that meeting, management was authorized to acquire from James Talcott, Inc. of New York, all of its shares in the capital stock of Industrial-Talcott Limited.

In addition to attending the regular meetings of the Board, the Executive Committee thereof met twelve times during the year. The members thus made a very important contribution by their effective and prompt consideration of the many important matters placed before them at their meetings.

Prospects for 1965

The general economic climate seems to be favourable and prospects for the year ahead are encouraging. Accordingly, continued sound growth in the assets of your group of companies is anticipated for 1965.

It is expected that this growth, and that of the economy as a whole, will be financed from a supply of money and credit which, while sufficient, will be closely tuned to demand. Competition to put these growing resources to work will remain keen and, with some moderate increase in borrowing costs probable, pressure on profit margins will continue. Therefore, although a satisfactory further increase in profit is expected from the various credit services offered by your group, such increase probably will be proportionately less than the expected rise in related assets as was the case in 1964.

Prospects for further improvement in Merit Insurance Company results are encouraging. This view is based on the trend of early 1965 figures and an assessment of the numerous corrective measures previously taken which have required time to become effective. Also, the industry will be working with a higher rate structure than in 1964. However, the sufficiency of these factors can be determined only with the passage of time.

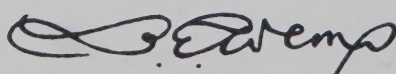
As indicated on page 21 a very encouraging growth momentum is developing in your life assurance company, but it will be some time before this growth is reflected in profits.

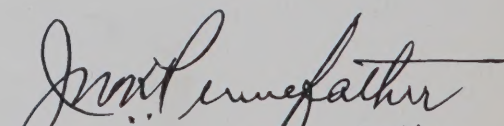
Over-all, continued profitable and sound growth is expected in 1965 for your group of companies.

Personnel

In service organizations such as your group of companies, the people, not the dollars, make the difference. Therefore, the progress achieved during 1964 was made possible by the loyalty, enthusiasm and hard work of the people comprising the staff. Accordingly, your Directors wish to take this opportunity to express their very warm thanks and appreciation.

On behalf of the Board,


Chairman


President

INDUSTRIAL ACCEPTANCE CORPORATION LIMITED
AND SUBSIDIARY COMPANIES



CONSOLIDATED
FINANCIAL
STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 1964

McDONALD, CURRIE & CO.
CHARTERED ACCOUNTANTS

INTERNATIONAL FIRM
COOPERS & LYBRAND

TELEPHONE 875-5140
630 DORCHESTER BOULEVARD WEST
MONTREAL 2, CANADA

AUDITORS' REPORT TO THE SHAREHOLDERS

January 29, 1965

We have examined the consolidated balance sheet of Industrial Acceptance Corporation Limited and its subsidiary companies as at December 31, 1964 and the consolidated statements of earnings and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In accordance with the provisions of Section 118 of the Companies Act, we report that the portion of the earnings for the year of the non-consolidated life assurance subsidiary accruing to the parent company has been included in the accompanying accounts.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of earnings and retained earnings are properly drawn up so as to exhibit a true and correct view of the consolidated state of the affairs of the companies as at December 31, 1964 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.
Chartered Accountants



CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1964

	1964	1963
GROSS INCOME (Note 2)	91,886,792	86,370,424
EXPENDITURE		
Cost of borrowed money —		
Notes	26,396,511	21,855,500
Debentures	<u>4,646,689</u>	<u>4,782,018</u>
	31,043,200	26,637,518
Claims incurred by casualty insurance subsidiary	8,456,905	9,216,233
General and administrative expenses (Note 3)	<u>29,246,718</u>	<u>27,397,304</u>
	68,746,823	63,251,055
	23,139,969	23,119,369
PROVISION FOR TAXES ON INCOME	<u>11,558,761</u>	<u>11,775,850</u>
	11,581,208	11,343,519
EARNINGS FOR THE YEAR OF THE NON-CONSOLIDATED LIFE ASSURANCE SUBSIDIARY	<u>90,694</u>	<u>87,869</u>
NET EARNINGS FOR THE YEAR	<u>\$11,671,902</u>	<u>\$11,431,388</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Principles of consolidation —

(a) The statements consolidate the accounts of the company and all of its subsidiaries with the exception of those of The Sovereign Life Assurance Company of Canada. The nature of the business of this wholly-owned subsidiary does not permit a meaningful presentation in the consolidation. The investment in its shares is stated at cost plus the net earnings calculated as accruing to the parent company since acquisition.

(b) Prior to December 22, 1964 Industrial-Talcott Limited was a fifty per cent owned associated company. On that date the remaining outstanding shares of its capital stock were purchased. The balance sheet of the company is included in the consolidation but, since control was acquired at the end of the year, its operations for the year ended December 31, 1964 are not reflected in the consolidated statement of earnings.

2. Gross income is comprised of:

	1964	1963
Earned service charges and interest on receivables, less provision for losses	79,446,323	73,119,264
Earned casualty insurance premiums	8,531,883	9,918,211
Investment earnings	<u>3,908,586</u>	<u>3,332,949</u>
	<u>\$91,886,792</u>	<u>\$86,370,424</u>

3. General and administrative expenses include the following, shown in accordance with the provisions of the

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1964

	1964	1963
Net earnings for the year	11,671,902	11,431,388
Dividends on preferred shares	<u>381,445</u>	<u>580,200</u>
Earnings applicable to common shares	11,290,457	10,851,188
Dividends on common shares	<u>6,493,274</u>	<u>6,041,953</u>
Earnings retained in the business	4,797,183	4,809,235
Premium on redemption of preferred shares and taxes thereon	92,966	238,752
Profit on purchase fund and sinking fund operations	<u>49,495</u> <u>43,471</u>	<u>105,913</u> <u>132,839</u>
	4,753,712	4,676,396
Balance at beginning of year	<u>59,357,375</u>	<u>54,680,979</u>
Balance at end of year	<u><u>\$64,111,087</u></u>	<u><u>\$59,357,375</u></u>

Companies Act:

	1964	1963
Executive officers' remuneration	\$721,157	\$732,541
Legal fees	168,185	142,505
Directors' fees	40,665	37,553
Depreciation of premises and equipment	768,426	759,483

4. The closing balance of retained earnings contained the following respective amounts set aside in the accounts as required by law equal to the par value of preferred shares redeemed: 1964 — \$2,600,200; 1963 — \$3,408,700.
5. Unamortized debt discount and expense —
Long-term notes were issued at a discount for the first time in 1964 and the unamortized portion of such discount together with the unamortized portion of discount on short-term notes is included in the total amount of unamortized debt discount and expense on the balance sheet. For comparative purposes the unamortized portion of discount on short-term notes as at December 31, 1963, formerly applied against accrued interest, has been transferred and also shown under this caption.
Commissions, discounts and other expenses incurred in 1964 in connection with medium and long-term notes were deferred to be amortized over the term of the notes. Prior to 1964, such expenses were written off in the year of issue. This change was made to conform to industry practice and prior procedure for short-term notes.
6. Common shares reserved for issue to officers and employees: 1964—172,619 shares; 1963—185,396 shares.



INDUSTRIAL ACCEPTANCE

CONSOLIDATED

ASSETS

CURRENT ASSETS

	1964	1963
Cash	<u>6,804,180</u>	<u>5,842,795</u>
Receivables—		
Sales financing—retail	440,268,018	403,836,908
Sales financing—wholesale	95,954,388	94,764,101
Loans and Leases	257,983,608	179,909,893
Repossessions	163,333	322,686
Other	<u>654,406</u>	<u>724,783</u>
	795,023,753	679,558,371
Provision for doubtful receivables	<u>9,563,265</u>	<u>8,558,234</u>
	<u>785,460,488</u>	<u>671,000,137</u>
Marketable securities—at cost or amortized values and accrued interest (quoted market value—1964—\$36,181,000 1963—\$32,339,000)	36,113,769	32,094,558
Short-term commercial paper receivable	<u>31,558,249</u>	<u>28,325,138</u>
	<u>67,672,018</u>	<u>60,419,696</u>
	<u>859,936,686</u>	<u>737,262,628</u>

OTHER ASSETS AND DEFERRED CHARGES

Preferred stock purchase fund—cash	31,659	55,183
Investment in shares of life assurance subsidiary (Note 1)	3,962,912	3,872,219
Investment in and advances to associated and other companies	755,000	1,525,000
Prepaid expenses	953,673	1,000,169
Unamortized debt discount and expenses (Note 5)	4,762,484	2,228,298
Premises and equipment—at cost, less accumulated depreciation— 1964—\$3,966,912 1963—\$3,829,584	4,772,095	3,953,270
Excess of purchase price over book value at date of acquiring control of a subsidiary company (Note 1)	826,133	—
	<u>16,063,956</u>	<u>12,634,139</u>
	<u>\$876,000,642</u>	<u>\$749,896,767</u>

SIGNED ON BEHALF OF THE BOARD

G. E. WEMP
J. B. PENNEFATHER } Directors

CORPORATION LIMITED AND SUBSIDIARY COMPANIES

BALANCE SHEET AS AT DECEMBER 31, 1964

LIABILITIES

CURRENT LIABILITIES

	1964	1963
Secured demand and short-term notes	325,727,849	281,333,109
Accounts payable and accrued expenses	28,749,970	19,611,541
Taxes on income	6,264,854	5,346,727
Dealers' credit balances	14,568,017	13,960,937
	<u>375,310,690</u>	<u>320,252,314</u>

DEFERRED INCOME

Unearned service charges	55,853,330	51,248,113
Unearned premiums of casualty insurance subsidiary	4,092,821	4,225,022
	<u>59,946,151</u>	<u>55,473,135</u>

SECURED TERM NOTES	<u>257,643,520</u>	<u>189,442,020</u>
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DEBENTURES	<u>81,853,000</u>	<u>84,344,000</u>
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SHAREHOLDERS' EQUITY

Preferred stock	7,399,800	11,591,300
Common stock	29,736,394	29,436,623
	<u>37,136,194</u>	<u>41,027,923</u>
Retained earnings	64,111,087	59,357,375
	<u>101,247,281</u>	<u>100,385,298</u>

\$876,000,642

\$749,896,767



NOTES AND COMMENTS

RELATING TO THE CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS

Cash

Demand deposits in chartered banks and trust companies.

Receivables:

Sales financing—retail

Balances owing by more than 350,000 purchasers of motor vehicles, domestic appliances and commercial and industrial equipment acquired from over 10,000 dealers throughout Canada and by over 14,000 purchasers of insurance from Merit Insurance Company. Security is the purchaser's promise to pay, title to the goods purchased and, in most cases, the dealer's endorsement and guarantee.

*Sales financing—
wholesale*

Balances owing by upwards of 3,100 dealers throughout Canada on the wholesale cost or less of motor vehicles, appliances, etc., held for display and inventory purposes and to which title is held by the company.

Loans and leases

Balances owing by over 200,000 customers of Niagara Finance Company Limited, Niagara Realty Limited and Niagara Mortgage & Loan Company Limited. Also capital loans made by the parent company to assist dealers to acquire and organize automobile and other agencies as well as loans and leases negotiated by IAC Capital Funds Division and Industrial-Talcott Limited.

Repossessions

Goods in companies' hands as a result of default by purchaser, borrower and/or dealer, stated at estimated market values.

Other

Accrued charges and other current receivables largely unsecured.

*Provision for doubtful
receivables*

The amount, which, in the judgement of management and auditors, after a careful review of all the accounts at the year end, is adequate to meet possible losses.

Marketable securities

Investments of the parent company and its casualty insurance subsidiary. Those of the parent company plus commercial paper receivables constitute a pool of funds in which the daily fluctuations in money employed can be absorbed.

*Short term commercial
paper receivable*

Short term promissory notes of corporate borrowers.

OTHER ASSETS

*Preferred stock purchase
fund—cash*

Cash set aside for purchase of preferred shares under requirements of related by-law.

*Investment in shares:
Life assurance subsidiary*

Investment in the shares of The Sovereign Life Assurance Company of Canada, a wholly-owned subsidiary, at cost plus the earnings which have accrued to the parent company since acquisition.

*Investment in and
advances to
associated and other
companies*

Fifty per cent of the shares of Planned Investments Corporation and minority shareholdings in Canborough Limited and Canadian Enterprise Development Corporation Limited, all of which are shown at cost, together with an advance of \$75,000 made to Planned Investments Corporation.

Prepaid expenses

Unexpired insurance premiums, unamortized cost of alterations and improvements to office premises.

*Unamortized debt
discount and expenses*

Commissions, discounts and other expenses to be amortized over the term of the related secured notes.

Premises and equipment

Land and office buildings in Montreal, Toronto, Edmonton and St. John's at a cost of \$2,956,557, less depreciation on buildings of \$421,889. Office equipment and automobiles at cost of \$5,782,450, less depreciation of \$3,545,023.

Excess of purchase price

The amount by which the purchase price paid for the shares of Industrial-Talcott Limited exceeded the book value of the company at the time control was acquired.

CORPORATION LIMITED AND SUBSIDIARY COMPANIES

LIABILITIES

CURRENT LIABILITIES

Demand and short term notes Demand bank borrowings by the parent company of \$2,000,000 and its short term notes (up to 365 days) of \$263,911,849 secured by pledge of receivables under a trust deed with the Montreal Trust Company. Also demand bank borrowings by Niagara Finance Company Limited of \$20,000,000 and its short term notes of \$39,816,000 secured under the terms of a trust deed of which The Royal Trust Company is the trustee.

Accounts payable and accrued expenses Accounts payable to manufacturers against motor vehicles and other goods shipped to dealers, accrued interest on notes and debentures, provision for estimated claims liability of Merit Insurance Company and sundry items payable.

Taxes on income Unpaid balance of estimated income and old age security taxes.

Dealers' credit balances Balances held in respective dealer accounts subject to release against satisfactory performance.

DEFERRED INCOME

Unearned service charges Service charges are credited to this account, to be taken into income, on the sum-of-the-digits method, as related receivables mature.

Unearned premiums of casualty insurance subsidiary Premiums are credited to this account, to be taken into income over the term of the related policies.

SECURED TERM NOTES Notes secured by the trust deeds mentioned above, the original terms of which exceeded one year.

DEBENTURES Unsecured debt ranking equally with other unsecured creditors but prior to the shareholders.

SHAREHOLDERS' EQUITY

Preferred stock That class of investment, held by 890 owners, of whom 99.3% are Canadian, having certain preferences and limitations as to dividends and assets.

Common stock Amount invested in 5,911,152 common shares held by 13,486 owners, of whom 94.6% are Canadian.

Retained earnings Earnings which have been re-invested in the company as working funds and form part of the common shareholders' equity.

NOTE:

Goods underlying receivables described above are, with some exceptions, covered by insurance and the balances owing by most individual purchasers or borrowers are covered by life insurance.



INDUSTRIAL ACCEPTANCE

DETAILS OF SECURED TERM

SECURED TERM NOTES (exclusive of those issued for a term not exceeding 365 days)

PARENT COMPANY	1964	1963
Series "E" 3 1/2% due February 15, 1964	—	5,000,000
Series "J" 3 1/2% due November 15, 1966	5,000,000	5,000,000
Series "L" 4 3/4% due October 1, 1964	—	2,000,000
*Series "M" 4 1/8% due March 2, 1968	10,000,000	10,000,000
Series "N" 5% due February 15, 1965	3,000,000	3,000,000
Series "O" 4 1/4% due July 2, 1972	10,000,000	10,000,000
Series "P" 4 1/2% due December 15, 1970	6,000,000	6,000,000
Series "Q" 4 1/2% due March 15, 1971	12,500,000	12,500,000
*Series "S" 5 1/2% due February 15, 1977	17,000,000	17,000,000
Series "T" 5 3/4% due April 1, 1979	6,000,000	6,000,000
Series "U" 6 1/2% due December 1, 1974	12,500,000	12,500,000
Series "V" 6 1/2% due December 1, 1979	5,000,000	5,000,000
Series "W" 6% due August 15, 1980	7,500,000	7,500,000
Series "X" 5 3/4% due November 15, 1981	8,500,000	8,500,000
Series "Y" 5.40% due July 2, 1982	10,000,000	10,000,000
*Series "Z" 5 1/4% due October 1, 1982	10,000,000	10,000,000
*Series "27" 5 1/4% due April 1, 1988	10,000,000	10,000,000
Series "28" 5 3/4% due September 15, 1984	15,000,000	—
*Series "29" 5% due October 1, 1984	10,000,000	—
Notes at various rates of interest—		
Maturing in 1964	—	9,021,000
Maturing in 1965	16,698,000	12,338,000
Maturing in 1966	35,668,000	10,348,000
Maturing in 1967	10,950,000	8,181,000
Maturing in 1968	6,323,000	3,043,000
Maturing in 1969	4,277,000	3,103,000
Maturing in 1970	744,000	719,000
Maturing in 1971	3,277,000	1,871,000
Maturing in 1972	248,000	138,000
Maturing in 1974	16,000	—
	78,201,000	48,762,000
Exchange at date of issue on notes payable in U.S. funds	1,442,520	680,020
	237,643,520	189,442,020
 SUBSIDIARY COMPANY		
Niagara Finance Company Limited—		
Series "1" 5 3/4% due April 15, 1984	10,000,000	—
Series "2" 5 3/4% due May 1, 1985	10,000,000	—
	20,000,000	—
*Payable in U.S. funds.	\$257,643,520	\$189,442,020

PREFERRED STOCK

	1964		1963	
	Shares	Amount	Shares	Amount
Authorized and issued—				
4 1/2% cumulative redeemable shares of \$100 each	100,000	10,000,000	100,000	10,000,000
Redeemed and cancelled	26,002	2,600,200	23,218	2,321,800
	73,998	7,399,800	76,782	7,678,200
4 1/2% cumulative redeemable shares of \$50 each	—	—	100,000	5,000,000
Redeemed and cancelled	—	—	21,738	1,086,900
			78,262	3,913,100
		\$ 7,399,800		\$ 11,591,300

CORPORATION LIMITED AND SUBSIDIARY COMPANIES

NOTES, DEBENTURES AND CAPITAL STOCK AS AT DECEMBER 31, 1964

DEBENTURES

	1964		1963	
Authorized and issued—				
4% sinking fund debentures due April 1, 1969	10,000,000		10,000,000	
Redeemed and cancelled	3,863,000	6,137,000	3,719,000	6,281,000
4% sinking fund debentures due March 1, 1970	2,500,000		2,500,000	
Redeemed and cancelled	1,626,000	874,000	1,603,000	897,000
5% sinking fund debentures due July 2, 1970	5,000,000		5,000,000	
Redeemed and cancelled	2,571,000	2,429,000	2,259,000	2,741,000
5% sinking fund debentures due January 2, 1971	5,000,000		5,000,000	
Redeemed and cancelled	3,438,000	1,562,000	2,848,000	2,152,000
5 1/2% sinking fund debentures due July 2, 1973	5,000,000		5,000,000	
Redeemed and cancelled	3,013,000	1,987,000	2,591,000	2,409,000
5 1/4% sinking fund debentures due February 1, 1974	7,500,000		7,500,000	
Redeemed and cancelled	2,456,000	5,044,000	2,391,000	5,109,000
4 1/2% sinking fund debentures due October 1, 1974	5,000,000		5,000,000	
Redeemed and cancelled	1,424,000	3,576,000	1,356,000	3,644,000
5 1/4% sinking fund debentures due June 1, 1975	5,000,000		5,000,000	
Redeemed and cancelled	1,390,000	3,610,000	1,262,000	3,738,000
5 3/4% debentures due January 15, 1977	12,000,000		12,000,000	
Redeemed and cancelled	3,526,000	8,474,000	3,032,000	8,968,000
6% debentures due September 1, 1977	5,000,000		5,000,000	
Redeemed and cancelled	318,000	4,682,000	318,000	4,682,000
5 1/2% debentures due February 1, 1978	6,000,000		6,000,000	
Redeemed and cancelled	1,463,000	4,537,000	1,349,000	4,651,000
6% debentures due June 15, 1979	10,000,000		10,000,000	
Redeemed and cancelled	310,000	9,690,000	310,000	9,690,000
6 3/4% debentures due February 1, 1980		10,000,000		10,000,000
5 3/4% debentures due July 2, 1981	10,000,000		10,000,000	
Redeemed and cancelled	125,000	9,875,000	125,000	9,875,000
5 3/4% debentures due February 15, 1982	10,000,000		10,000,000	
Redeemed and cancelled	624,000	9,376,000	493,000	9,507,000
		<u>\$ 81,853,000</u>		<u>\$ 84,344,000</u>

COMMON STOCK

	1964		1963	
Authorized without nominal or par value (Note 6)	10,000,000		10,000,000	
Issued and fully paid	5,911,152	\$ 29,736,394	5,897,375	\$ 29,436,623



INDUSTRIAL ACCEPTANCE

COMPARATIVE

DEC. 31	Total Assets	Net Receivables	Deferred Income	Secured Term Notes	Debentures	Preferred Stock	Total Shareholders' Equity (including Preferred)
1964	876,000,642	785,460,488	59,946,151	257,643,520	81,853,000	7,399,800	101,247,281
1963	749,896,767	671,000,137	55,473,135	189,442,020	84,344,000	11,591,300	100,385,298
1962	669,876,558	597,642,844	54,485,627	173,095,770	86,712,000	17,165,550	101,114,714
1961	606,590,513	525,663,924	52,242,814	145,844,583	80,883,000	17,635,550	96,241,456
1960	626,879,956	539,991,408	55,047,787	136,751,770	72,637,000	18,059,400	88,312,643
1959	567,221,538	486,062,732	48,688,885	107,781,270	65,679,000	18,480,500	80,964,707
1958	474,807,614	436,742,321	40,834,059	97,490,270	59,059,000	18,794,700	74,819,460
1957	460,052,534	433,695,139	37,286,952	90,051,270	54,923,000	19,320,700	68,942,469
1956	448,305,592	429,305,888	36,538,174	82,230,625	39,793,000	19,761,700	65,052,869
1955	348,984,015	331,637,883	26,484,642	64,825,938	36,804,000	10,000,000	51,825,122
1950	145,085,675	139,174,101	9,218,795	50,000,000	10,000,000	5,079,899	14,671,688
1945	15,211,864	13,765,464	548,269	—	1,730,000	1,500,000	3,897,828
1940	17,525,738	15,424,898	682,965	—	1,880,000	1,500,000	3,462,127
1935	7,748,091	7,029,531	268,067	—	876,500	—	1,105,470
1930	6,065,161	5,320,077	202,182	—	1,000,000	—	1,041,770

CORPORATION LIMITED AND SUBSIDIARY COMPANIES*

FINANCIAL STATISTICS

Gross Income	Interest on all Borrowings	Expenses and Depreciation	Provision for Income Taxes	Earned on Common Stock	Common Shares Outstanding	Earnings per Common Share	Amount Paid per Common Share
91,886,792	31,043,200	29,246,718	11,558,761	11,290,457	5,911,152	1.91	1.10
86,370,424	26,637,518	27,397,304	11,775,850	10,851,188	5,897,375	1.84	1.02 ¹ / ₂
82,385,384	22,853,057	26,045,494	12,434,563	10,924,175	5,889,945	1.85	1.00
84,351,835	22,234,940	24,888,098	13,093,636	11,683,903	5,855,026	1.99	.95
80,810,050	23,859,342	22,950,268	11,764,420	11,218,228	5,655,946	1.98	.87 ¹ / ₂
68,486,922	19,619,184	20,159,754	10,400,494	10,008,987	5,533,042	1.80 ¹ / ₂	.80
60,470,795	14,838,354	18,351,653	9,895,984	9,829,385	5,463,292	1.79 ¹ / ₂	.75
58,464,390	17,363,141	16,299,456	8,128,382	8,254,552	5,402,514	1.52 ¹ / ₂	.70
51,713,950	13,387,676	15,862,424	7,133,230	7,940,819	5,374,734	1.47 ¹ / ₂	.66 ¹ / ₄
40,092,205	8,007,724	13,314,452	6,364,888	7,003,918	5,370,180	1.30	.62 ¹ / ₂
16,877,036	3,702,510	5,168,705	1,861,336	2,577,110	2,643,648	.97 ¹ / ₂	.37 ¹ / ₂
1,943,627	271,582	1,319,700	139,889	137,456	1,465,168	.09	.03 ¹ / ₈
1,778,878	505,815	876,164	153,760	168,138	1,444,272	.11 ¹ / ₂	.10 ⁹ / ₁₀
959,131	298,742	588,783	12,270	77,336	1,280,000	.06	—
920,396	299,840	486,569	6,300	64,370	1,280,000	.05	.01 ² / ₅

Figures prior to December 31, 1961 reflect the two-for-one divisions of common shares in October 1961, September 1956 and August 1952 and August 1948.

*Excluding the accounts of The Sovereign Life Assurance Company of Canada.



FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 1964

Niagara Finance Company, a wholly-owned member of the IAC Group, is the largest Canadian-owned consumer loan company. Its audited financial statements are reproduced here for your information. Some comment on them has been made in the report of your directors, page 4.

Incorporated in the Province of Ontario in 1930, Niagara now operates through a network of 263 branches in more than 180 municipalities in Canada and the United Kingdom. This company makes consumer instalment loans to people in all walks of life and presently serves over 200,000 customers.

During the past year, Niagara's record volume of business resulted in loan receivables outstanding at the year-end of \$128 million, an increase of 11% over the previous year. Loans of \$1,500 and less, made under the Small Loans Act, accounted for \$83 million of the company's total receivables.

The growing number of Canadians served by Niagara is an indication of the increasing demand and need for consumer loan services. Niagara loans are made to retire existing obligations, to meet medical and educational expenses, to finance private purchases or to meet unforeseen emergencies and opportunities. The continued increase in the number of branch points from which these services are available provides a solid base for future growth.

SELECTED NIAGARA FINANCE STATISTICS 1950 TO 1964

	1964	1963	1962	1961	1960	1955	1950
Number of accounts (thousands)	200	195	190	165	145	50	10
Loan receivables (millions)	\$128.0	\$114.9	\$109.4	\$92.4	\$81.0	\$28.3	\$4.5
Number of branches	263	240	230	202	181	105	53

STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1964

	1964	1963
GROSS INCOME (Note 1)	20,402,155	19,193,628
EXPENDITURE		
Cost of borrowed money	4,680,886	4,519,872
General and administrative expenses (Note 2)	<u>9,193,645</u>	<u>8,645,435</u>
	13,874,531	13,165,307
	6,527,624	6,028,321
PROVISION FOR TAXES ON INCOME	3,351,000	3,099,000
NET EARNINGS FOR THE YEAR	<u>\$ 3,176,624</u>	<u>\$ 2,929,321</u>

NOTES:

1. Gross income includes earned income on all loans less provision for losses.

2. General and administrative expenses include the following:

	1964	1963
Executive officers' remuneration	\$ 51,561	\$ 50,033
Legal fees	27,555	44,147
Directors' fees	8,950	4,240
Depreciation of office equipment and automobiles	165,983	162,021

STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1964

	1964	1963
BALANCE AT BEGINNING OF YEAR	1,218,376	1,289,055
Net earnings for the year	<u>3,176,624</u>	<u>2,929,321</u>
	4,395,000	4,218,376
Dividends paid —		
Class A shares	1,610,000	1,500,000
Common shares	<u>1,610,000</u>	<u>1,500,000</u>
	3,220,000	3,000,000
BALANCE AT END OF YEAR	<u>\$1,175,000</u>	<u>\$1,218,376</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

Montreal, January 29, 1965

We have examined the balance sheet of Niagara Finance Company Limited as at December 31, 1964 and the statements of earnings and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings and retained earnings present fairly the financial position of the company as at December 31, 1964 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.
Chartered Accountants

NIAGARA FINANCE COMPANY LIMITED

BALANCE SHEET

AS AT DECEMBER 31, 1964

ASSETS

	1964	1963
CURRENT ASSETS		
Cash	616,900	1,502,782
Receivables —		
Small loans	83,290,810	75,681,045
Other loans	44,724,839	39,298,937
Repossessions	18,201	33,725
Sundry accounts	9,855	37,389
	128,043,705	115,051,096
Provision for doubtful receivables	2,402,642	2,161,398
	125,641,063	112,889,698
	126,257,963	114,392,480
OTHER ASSETS AND DEFERRED CHARGES		
Prepaid expenses	250,756	212,741
Unamortized debt discount and expense . .	953,850	—
Office equipment and automobiles—at cost less accumulated depreciation —		
1964 — \$637,907		
1963 — \$574,520	494,574	491,782
	1,699,180	704,523
	\$127,957,143	\$115,097,003

LIABILITIES

CURRENT LIABILITIES		
Secured demand and short-term notes	59,816,000	40,000,000
Notes payable — parent company	12,400,000	42,000,000
Accounts payable and accrued expenses . . .	1,305,031	859,196
Taxes on income	1,322,548	1,450,419
	74,843,579	84,309,615
UNEARNED INCOME	7,638,564	6,569,012
SECURED TERM NOTES		
Series "1" 5 ³ / ₄ % due April 15, 1984	10,000,000	—
Series "2" 5 ³ / ₄ % due May 1, 1985	10,000,000	—
	20,000,000	—
SHAREHOLDERS' EQUITY		
Capital stock —		
Authorized —		
150,000 5 ¹ / ₄ % non-cumulative redeemable participating Class A shares of \$100 each	\$ 15,000,000	\$ 15,000,000
150,000 common shares without nominal or par value	—	—
Issued and fully paid —		
(Incl. 6,500 Class A shares and 6,500 common shares issued during the year for cash)		
121,500 Class A shares (115,000 in 1963) .	12,150,000	11,500,000
121,500 common shares (115,000 in 1963) .	12,150,000	11,500,000
	24,300,000	23,000,000
Retained earnings	1,175,000	1,218,376
	25,475,000	24,218,376
	\$127,957,143	\$115,097,003

SIGNED ON BEHALF OF THE BOARD

J. S. LAND
B. F. LONDON } Directors

**THE SOVEREIGN LIFE ASSURANCE
COMPANY OF CANADA**



**FINANCIAL
STATEMENTS**

**FOR THE YEAR ENDED
DECEMBER 31, 1964**

In their report to policyholders and shareholders, Sovereign directors said, in part, "For the first time, total business in force was over \$500 million and total assets were more than \$50 million. At 11.5% of assets (1963—10.5%), the combined total of capital, reserves and surplus provided a substantial measure of protection for all policyholders."

IAC shareholders should be aware that in life assurance accounting practice:

- a) The entire cost of writing a new life contract is charged against current income despite the fact that this cost usually exceeds first-year premium income. Therefore, the greater the volume of new business, the less, relative to volume, the current year's conventionally-stated earnings will be.
- b) No accounting recognition is given to fluctuations in the present value of future earnings from business now in force, earnings would continue even if Sovereign were to cease all selling activity. At December 31, 1964, the present value (after taxes) of these future earnings, discounted at 5% per annum, was calculated to be \$2,149,359, an increase during the year of \$217,442 (1963 increase—\$196,241). These estimates, arrived at after applying probable future rates of mortality and lapse, investment earnings and expense burden, should be taken into account when evaluating the progress of your life assurance subsidiary.

Copies of the complete Sovereign report are available on request to the Secretary of IAC.

SELECTED SOVEREIGN LIFE STATISTICS 1950 TO 1964

(Millions of Canadian Dollars)

	1964	1963	1962	1961	1960	1955	1950
Insurance in force:							
Ordinary	244.1	229.5	216.2	212.8	208.3	154.7	102.4
Group	288.8	191.5	2.6	—	—	—	—
Total	532.9	421.0	218.8	212.8	208.3	154.7	102.4
New Business Written:							
Ordinary	35.6	29.3	23.8	24.2	27.4	23.1	15.1
Group (Net Increase) .	97.2	190.6	0.7	—	—	—	—
Policy reserves	40.2	38.9	37.2	35.7	34.0	25.7	17.5
Total assets	51.0	48.5	46.1	43.5	41.2	30.1	20.4
Net Interest earned: Per cent	5.52%	5.31%	5.21%	5.07%	4.89%	4.13%	3.81%

THE SOVEREIGN LIFE ASSURANCE COMPANY OF CANADA

STATEMENT OF REVENUE

FOR THE YEAR ENDED DECEMBER 31, 1964

	Thousands of Dollars	
REVENUE	1964	1963
Premiums	5,944	5,224
Interest, dividends and rents, less related expenses—\$346,076 (1963 — \$308,405)	2,657	2,433
Net profit on disposal of securities less writedown—\$73,412 (1963 — \$118,500)	94	2
	<u>8,695</u>	<u>7,659</u>
EXPENDITURE		
Amounts paid to or set aside for policyholders and beneficiaries:		
Death and disability claims	1,846	1,345
Matured endowments	543	570
Annuity benefits	235	222
Surrender values	1,507	1,403
Increase in reserves for future payments to policyholders and beneficiaries	1,259	1,257
Interest credited to funds on deposit	104	97
	<u>5,494</u>	<u>4,894</u>
Branch offices, agency and commission expenses	1,127	994
Head office and general expenses	762	674
Pension and insurance fund contributions	63	97
Taxes, licenses and fees	136	117
	<u>7,582</u>	<u>6,776</u>
EXCESS OF REVENUE FOR THE YEAR	<u>\$1,113</u>	<u>\$ 883</u>
ALLOCATED AS FOLLOWS:		
Contingency reserve	50	—
Dividends to policyholders	350	308
Increase in unassigned surplus	713	575
	<u>\$1,113</u>	<u>\$ 883</u>

AUDITORS' REPORT TO THE POLICYHOLDERS AND SHAREHOLDERS

Winnipeg, January 26, 1965

We have examined the balance sheet of The Sovereign Life Assurance Company of Canada as at December 31, 1964 and the statement of revenue for the year ended on that date and have obtained all the information and explanations we have required. Our examination included verification of the cash and investments in bonds and stocks by inspection or by certificates from the depositories, a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

The reserves and other liabilities under the various assurance and annuity contracts are stated at amounts certified by the company's actuary and have been accepted by us.

In our opinion, based upon our examination and upon the certification referred to above and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and the statement of revenue are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1964 and the results of its operations for the year ended on that date, in accordance with accounting practices appropriate to the insurance laws of Canada, applied on a basis consistent with that of the preceding year.

McDONALD, CURRIE & CO.
Chartered Accountants

THE SOVEREIGN LIFE ASSURANCE COMPANY OF CANADA

BALANCE SHEET

AS AT DECEMBER 31, 1964

ASSETS

	Thousands of Dollars		Percentages	
	1964	1963	1964	1963
Bonds and debentures, at amortized cost or less (Note)	22,140	22,862	43.44	47.12
Common and preferred stocks, at cost or less (Note)	1,861	2,048	3.65	4.22
First mortgages on real estate	21,506	18,322	42.19	37.76
Loans on policies, secured by cash values	2,698	2,592	5.29	5.34
Real estate—				
Head office premises, at cost, less accumulated depreciation— \$147,000 (1963 - \$126,000)	1,184	1,196	2.32	2.46
Purchased for income, at cost, less amounts written off— \$14,255 (1963 - \$11,586)	487	474	0.96	0.98
Held under agreement of sale	5	—	0.01	—
Cash	323	229	0.64	0.47
Premiums in course of collection	257	313	0.50	0.65
Investment income due and accrued	483	467	0.95	0.96
Other assets	27	21	0.05	0.04
	<u>\$50,971</u>	<u>\$48,524</u>	<u>100.00</u>	<u>100.00</u>

NOTE:

Valuation of bonds and debentures and preferred and common stocks:

Value stated in the balance sheet	24,000	24,910
Estimated market value	25,121	25,424
Maximum value at which these securities may be carried as prescribed by the insurance laws of Canada	25,440	25,943

LIABILITIES

Reserves for insurance and annuity contracts in force	39,696	38,437	77.88	79.21
Policyholders' funds on deposit	2,336	2,170	4.58	4.47
Policy claims in course of settlement and provision for unreported claims of \$250,000 (1963 - \$150,000)	522	461	1.02	0.95
Mortgagors' tax prepayments	486	450	0.95	0.93
Premium income and other taxes accrued	57	50	0.11	0.10
Other liabilities and accruals	266	220	0.52	0.45
Provision for dividends to policyholders	822	705	1.62	1.46
Staff and agents' pension and insurance funds	905	913	1.78	1.88
	<u>45,090</u>	<u>43,406</u>	<u>88.46</u>	<u>89.45</u>
Contingency reserve	50	—	0.10	—
Investment reserve	1,000	1,000	1.96	2.06
Unassigned surplus	4,526	3,813	8.88	7.86
Capital stock—				
8,406 shares of \$100 each of which 4 shares are fully paid and 8,402 shares are \$25 paid up	210	210	0.41	0.43
Shareholders' surplus	95	95	0.19	0.20
	<u>5,881</u>	<u>5,118</u>	<u>11.54</u>	<u>10.55</u>
	<u>\$50,971</u>	<u>\$48,524</u>	<u>100.00</u>	<u>100.00</u>

SIGNED ON BEHALF OF THE BOARD

J. S. LAND
W. R. LIVINGSTON } Directors

IAC GROUP OF COMPANIES

**INDUSTRIAL ACCEPTANCE
CORPORATION LIMITED**
(190 BRANCH OFFICES)

CAPITAL FUNDS (IAC) LIMITED
CAPITAL FUNDS (IAC ONTARIO) LIMITED

MERIT INSURANCE COMPANY
(37 BRANCH OFFICES)

NIAGARA FINANCE COMPANY LIMITED
(263 BRANCH OFFICES)

**NIAGARA MORTGAGE & LOAN
COMPANY LIMITED**
NIAGARA REALTY LIMITED

PREMIER PROPERTY LIMITED

**THE SOVEREIGN LIFE ASSURANCE
COMPANY OF CANADA**
(25 BRANCH OFFICES)

PLANNED INVESTMENTS CORPORATION
(ASSOCIATED COMPANY)

FINANCIAL AND INSURANCE SERVICES

Sales Financing Services
Purchase Credit Plans
Equipment Financing
Fleet Financing
Leasing Services
Rediscounting

Business Loans
Short or Medium Term Mortgage Loans
Interim Mortgage Financing
Sale-and-Leaseback
Accounts Receivable Financing

Automobile Insurance
Comprehensive Home Insurance
Personal Liability Insurance

Consumer and Small Business Loans

First and Second Mortgage Loans
Mortgage Discounting
Combined Mortgages

Real Estate Management

Life Insurance
Estate Planning
Key Man Insurance
Partnership Insurance

Mutual Funds Distributor
Canada Growth Fund Sponsor
Planned Investment Management

INDUSTRIAL ACCEPTANCE CORPORATION LIMITED

Incorporated in 1925 under the laws of Canada

EXECUTIVE OFFICES

Montreal 16, Quebec

HEAD OFFICE

Toronto, Ontario

REGISTRARS

Common Stock

EASTERN & CHARTERED TRUST COMPANY, Montreal and Toronto

THE ROYAL TRUST COMPANY, Vancouver

EMPIRE TRUST COMPANY, New York

Preferred Stock

MONTREAL TRUST COMPANY, Montreal, Toronto and Vancouver

STOCK LISTINGS

MONTREAL STOCK EXCHANGE

TORONTO STOCK EXCHANGE

VANCOUVER STOCK EXCHANGE

AUDITORS

McDONALD, CURRIE & CO., Montreal

BANKERS

THE ROYAL BANK OF CANADA

BANK OF MONTREAL

CANADIAN IMPERIAL BANK OF COMMERCE

THE TORONTO-DOMINION BANK

BANQUE CANADIENNE NATIONALE

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

TRANSFER AGENTS

Common Stock

MONTREAL TRUST COMPANY, Montreal, Toronto and Vancouver

EMPIRE TRUST COMPANY, New York

Preferred Stock

THE ROYAL TRUST COMPANY, Montreal, Toronto and Vancouver

It has been a pleasure for the Directors and Officers of your company to give you, within the limits reasonably possible in this Annual Report, an explanation of the nature and conduct of your company's business.

We would welcome a personal visit or letter from you at any time. This would give us an opportunity to go into greater detail with you. We would also like and respectfully urge you to attend the shareholders' meetings whenever convenient.



INDUSTRIAL ACCEPTANCE CORPORATION LIMITED